

**Savings Program for Employees of Certain  
Employers at the U.S. Department of  
Energy Facilities at Oak Ridge, Tennessee**

**Independent Auditors' Report  
and Financial Statements**

**December 31, 2009 and 2008**

**Savings Program for Employees of Certain Employers at the  
U.S. Department of Energy Facilities at Oak Ridge, Tennessee**

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**December 31, 2009 and 2008**

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## Independent Auditors' Report

To the Participants and Plan Administrator of the  
Savings Program for Employees of Certain Employers  
at the U.S. Department of Energy Facilities at Oak Ridge, Tennessee:

We have audited the accompanying Statements of Net Assets Available for Benefits of the Savings Program for Employees of Certain Employers at the U.S. Department of Energy Facilities at Oak Ridge, Tennessee (the "Plan") as of December 31, 2009 and 2008, and the related Statements of Changes in Net Assets Available for Benefits for the years then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform these audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of the Plan as of December 31, 2009 and 2008, and the changes in net assets available for benefits for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental Schedule of Assets (Held at End of Year) as of December 31, 2009 is presented for the purpose of additional analysis and is not a required part of the basic financial statements but is supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974, as amended. This supplemental schedule is the responsibility of the Plan's management. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*McConnell & Jones LLP*

Houston, Texas  
September 30, 2010

**Savings Program for Employees of Certain Employers at the  
U.S. Department of Energy Facilities at Oak Ridge, Tennessee**

**Statements of Net Assets Available for Benefits**

**December 31, 2009 and 2008**

**(in thousands of dollars)**

	<u>2009</u>	<u>2008</u>
<b>Assets</b>		
<b>Investments, at fair value</b>	\$ 1,467,373	\$ 1,227,629
<b>Other assets</b>		
Pending trades	425	1,144
Cash	<u>668</u>	<u>755</u>
Total other assets	<u>1,093</u>	<u>1,899</u>
Total assets	<u>1,468,466</u>	<u>1,229,528</u>
<b>Liabilities</b>	<u>995</u>	<u>1,425</u>
<b>Net Assets, at Fair Value</b>	1,467,471	1,228,103
Adjustment from fair value to contract value for fully benefit-responsive investment contracts	<u>(9,326)</u>	<u>28</u>
<b>Net Assets Available for Benefits</b>	\$ <u><u>1,458,145</u></u>	\$ <u><u>1,228,131</u></u>

**Savings Program for Employees of Certain Employers at the  
U.S. Department of Energy Facilities at Oak Ridge, Tennessee**

**Statements of Changes in Net Assets Available for Benefits**

**Years Ended December 31, 2009 and 2008**

**(in thousands of dollars)**

	<u>2009</u>	<u>2008</u>
<b>Additions</b>		
<b>Investment Income</b>		
Net appreciation in fair value of investments	\$ 147,647	\$ -
Interest and dividends	<u>43,961</u>	<u>31,535</u>
Net investment income	<u>191,608</u>	<u>31,535</u>
<b>Contributions</b>		
Employer	24,141	23,329
Participants	63,559	63,291
Rollovers	<u>2,412</u>	<u>3,330</u>
Total contributions	<u>90,112</u>	<u>89,950</u>
Total additions	<u>281,720</u>	<u>121,485</u>
<b>Deductions</b>		
Net depreciation in fair value of investments	-	324,310
Benefits paid directly to participants	50,320	92,710
Administrative expenses	<u>1,386</u>	<u>1,441</u>
Total deductions	<u>51,706</u>	<u>418,461</u>
<b>Net Increase (Decrease)</b>	230,014	(296,976)
<b>Net Assets Available for Benefits, Beginning of Year</b>	<u>1,228,131</u>	<u>1,525,107</u>
<b>Net Assets Available for Benefits, End of Year</b>	<u>\$ 1,458,145</u>	<u>\$ 1,228,131</u>

# **Savings Program for Employees of Certain Employers at the U.S. Department of Energy Facilities at Oak Ridge, Tennessee**

## **Notes to Financial Statements**

**December 31, 2009 and 2008**

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### **Note 1: Description of the Plan**

The following description of the Savings Program for Employees of Certain Employers at the U.S. Department of Energy Facilities at Oak Ridge, Tennessee (the “Plan”) provides only general information. Participants should refer to the *Summary Plan Description* for a more complete description of the Plan’s provisions, which is available from the plan administrator.

#### ***General***

The Plan is a defined contribution plan which covers all eligible employees of the adopting employers with contracts with the U.S. Department of Energy (“DOE”) at the Oak Ridge, Tennessee facilities. The Plan was originally established on July 1, 1996 for salaried and hourly employees of Lockheed Martin Energy Systems, Inc., Lockheed Martin Utility Services, Inc., and Lockheed Martin Energy Research, Inc., who provided contract management services for the DOE.

Effective April 1, 2000, the Plan became a multiple employer pension plan with the participating employers being Lockheed Martin Energy System, Inc. and UT-Battelle, LLC (“UTB”). The Plan name was changed to the Savings Program for Employees of Certain Employers at the U.S. Department of Energy Facilities at Oak Ridge, Tennessee. Effective November 1, 2000, the contract between the Department of Energy and the Lockheed Martin Energy Systems, Inc., was terminated and Babcock & Wilcox Technical Services Y-12, L.L.C. (“B&W Y-12”) became the successor employer and Plan sponsor. The Plan was amended to name the new participating employers, UTB and B&W Y-12 (the “Company”), at that time.

The Plan is subject to Employee Retirement Income Security Act of 1974, as amended (“ERISA”).

#### ***Contributions***

Participants may contribute 2½ percent to 75 percent of eligible earnings (as defined by the Plan) each pay period (or 16 percent for highly compensated employees). Participants’ contributions will be matched at a rate of 100 percent of the first 2 percent of eligible earnings and 50 percent of the next 4 percent of eligible earnings, regardless of credited service. Contributions above 6 percent are not eligible for Company matching contributions. All employee contributions to the Plan may be made on a before-tax, after tax or Roth basis up to the annual limits. Participants age 50 or older may also make catch-up contributions.

#### ***Investment Options***

Participants may direct contributions in increments of 1 percent to one or more of the following available investment options: State Street Global Advisors Stable Value Fund, Allianz NFJ Dividend Value Fund, State Street Global Advisors S&P 500 Indexed Equity Fund, American Funds American Balanced Fund, American Funds Investment Company of America Fund, American Funds Growth Fund of America Fund, American Funds New Perspectives Fund, Goldman Sachs Small Cap Value Institutional Fund, Wells Fargo Advantage Small Cap Growth Institutional Fund, Wells Fargo Advantage Total Return Bond Fund, and American Funds EuroPacific Growth Fund. The assets of the Plan are held in trust under an agreement between the Company and the Charles Schwab Trust Company (the “Trustee”).

**Savings Program for Employees of Certain Employers at the  
U.S. Department of Energy Facilities at Oak Ridge, Tennessee**

**Notes to Financial Statements**

**December 31, 2009 and 2008**

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***Participant Accounts***

Each participant's account is credited with the participant's contribution and allocations of (a) the Company's contribution and (b) Plan earnings, and charged with an allocation of administrative expenses. Earnings and revenue sharing allocations are based on participant account balances, as defined. The benefit to which a participant is entitled is the benefit that can be provided from the participant's vested account.

***Vesting***

Participants are 100 percent immediately vested in their contributions, as adjusted for investment earnings and losses on their contributions. Company matching contributions become 100 percent vested after three years of service; at age 65 while a Company employee; upon retirement and eligibility to receive an immediate pension; or upon departure from the Company because of permanent disability, death, or involuntary termination for reasons other than cause.

***Participant Loans***

Participants may borrow from their fund accounts a minimum of \$1,000 up to a maximum equal to the lesser of \$50,000 minus their highest outstanding loan balance during the previous twelve months or 50 percent of their vested account balance at the time of the loan. The loans are collateralized by the balance in the participant's account and bear interest at the treasury rate plus 4 percent. Interest rates ranged from approximately 4.29 percent to 10.50 percent during 2009 and 2008. The minimum loan term is 6 months and the maximum loan term is 4½ years for general loans and 15 years for residential loans. Principal and interest are paid ratably through payroll deductions.

***Forfeited Accounts***

At December 31, 2009 and 2008, forfeited nonvested accounts totaled \$66,752 and \$12,175 respectively. These accounts will be used to reduce the matching contributions due from the participating employers and to reduce any corrective allocations or contributions and restorations due from the employers. Also, in 2009, employer contributions were reduced by \$1,478 from forfeited nonvested accounts.

***Administration of Plan Assets***

The Plan incurs expenses related to general administration and record keeping. The cost of collecting and distributing amounts to and from participants, and of keeping the individual records for all investment fund options, are paid by the participants. The Plan Sponsor paid certain accounting and auditing fees relating to the Plan.

***Plan Termination***

Although it has not expressed an intention to do so, the Company has the right under the Plan to discontinue its contributions at any time and to terminate the Plan, subject to the provisions of ERISA. In the event of plan termination, participants will become 100% vested in their accounts.

**Savings Program for Employees of Certain Employers at the  
U.S. Department of Energy Facilities at Oak Ridge, Tennessee**

**Notes to Financial Statements**

**December 31, 2009 and 2008**

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**Note 2: Summary of Significant Accounting Policies**

***Basis of Accounting***

The financial statements of the Plan are prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America ("US GAAP").

Investment contracts held by a defined-contribution plan are required to be reported at fair value. However, contract value is the relevant measurement attribute for that portion of the net assets available for benefits of a defined-contribution plan attributable to fully benefit-responsive investment contracts because contract value is the amount participants would receive if they were to initiate permitted transactions under the terms of the plan. The Statement of Net Assets Available for Benefits presents the fair value of the investment contracts as well as the adjustment of the fully benefit-responsive investment contracts from fair value to contract value. The Statement of Changes in Net Assets Available for Benefits is prepared on a contract value basis.

***Use of Estimates***

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and changes therein and disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

***Investment Valuation and Income Recognition***

The plan's investments are stated at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note 4 for discussion of fair value measurements.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Net appreciation includes the Plan's gains and losses on investments bought and sold as well as held during the year.

***Payment of Benefits***

Benefits paid directly to participants or their beneficiaries are recorded when paid.

***Recent Accounting Pronouncements***

In May 2009, an accounting standard was issued by the Financial Accounting Standards Board ("FASB"), establishing the accounting of and disclosure standards for events that occur after the balance sheet date but before financial statements are issued or available to be issued. An amendment was issued in February 2010 which clarified which entities are required to evaluate subsequent events and the scope of the disclosure requirements related to subsequent events.

In April 2009, the FASB issued guidance for determining fair value when the volume and level of activity for the asset or liability have significantly decreased and guidance on identifying circumstances that indicate a transaction is not orderly. The provisions of this guidance are effective



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for periods after June 15, 2009. The adoption of this guidance did not materially impact the Plan's financial statements.

The FASB Accounting Standards Update ("ASU") "*Fair Value Measurements and Disclosures: Investments in Certain Entities That Calculate Net Asset Value ("NAV") per Share (or Its Equivalent)*" was issued in September 2009. This ASU provides guidance on using the NAV per share provided by investees to estimate the fair value of an alternative investment. This ASU is effective for periods ending after December 15, 2009. The adoption of the provisions of this update did not impact the Plan's financial statements.

In January 2010, the FASB issued a pronouncement to improve disclosures about fair value measurements. Certain provisions of this pronouncement are effective for reporting periods beginning after December 15, 2009, while other provisions are effective for periods beginning after December 15, 2010.

***Plan Management's Review of Subsequent Events***

In preparing the accompanying financial statements, Plan management has reviewed all known events that have occurred after December 31, 2009, and through September 20, 2010, the date the financial statements were available to be issued, for inclusion in the financial statements and footnotes.

**Note 3: Investments**

The following table presents the Plan's investments (in thousands of dollars). Investments that represent 5% or more of the Plan's net assets are separately identified.

	<u>2009</u>	<u>2008</u>
<i>Investment, at contract value</i>		
State Street Global Advisors Stable Fixed Income Fund	\$ 640,183	\$ 614,754
<i>Investments, at fair value</i>		
American Funds Growth Fund of America Fund	141,715	105,497
American Funds New Perspective Fund	76,317	56,138
American Funds EuroPacific Growth Fund	107,659	68,433
Allianz NFJ Dividend Value Fund	132,566	120,752
Wells Fargo Advantage Total Return Bond Fund	89,562	68,162
Other investments	<u>270,045</u>	<u>193,921</u>
<b>Total Investments</b>	<b>\$ 1,458,047</b>	<b>\$ 1,227,657</b>

**Savings Program for Employees of Certain Employers at the  
U.S. Department of Energy Facilities at Oak Ridge, Tennessee**

**Notes to Financial Statements**

**December 31, 2009 and 2008**

During the years ended 2009 and 2008, the Plan's investments (including gains and losses on investments bought, sold and held during the year) appreciated (depreciated) in value as follows (in thousands of dollars):

	<u>2009</u>	<u>2008</u>
Registered investment companies	\$ 133,947	\$ (319,692)
Common/collective trusts	<u>13,700</u>	<u>(4,618)</u>
<b>Net Appreciation (Depreciation) in Fair Value of Investments</b>	<b>\$ <u>147,647</u></b>	<b>\$ <u>(324,310)</u></b>

Interest and dividends realized (in thousands of dollars) on the Plan's investments for the years ended December 31, 2009 and 2008 were \$43,961 and \$31,535, respectively.

During 2009 and 2008, the Plan held interest in the State Street Global Advisor Stable Value Fund ("SVF"), a common/collective trust fund. The SVF invests in a high quality fixed income portfolio combined with investment contracts, commonly referred to as wrap contracts, issued by insurance companies and other financial institutions for a fee. The SVF is credited with earnings on the underlying investments and charged for participant withdrawals and administrative expenses. The issuer of the wrap contract guarantees a minimum rate of return and provides full benefit responsiveness, provided that all terms of the wrap contract have been met. The fair value of the SVF equals the total of the fair value of the underlying assets plus the total wrap contract rebid value.

Certain events limit the ability of the Plan to transact at contract value with the wrap issuer. However, the Plan's management is not aware of the occurrence or likely occurrence of any such events, which would limit the Plan's ability to transact at contract value with participants. The issuer may terminate a wrap contract for cause at any time.

The average yields earned by all wrap contracts held by the Plan's common/collective trust fund for the years ended December 31, 2009 and 2008 were as follows:

	<u>2009</u>	<u>2008</u>
Based on actual income	1.85%	2.50%
Based on interest rates credited to participants	2.99%	4.15%

**Savings Program for Employees of Certain Employers at the  
U.S. Department of Energy Facilities at Oak Ridge, Tennessee**

**Notes to Financial Statements**

**December 31, 2009 and 2008**

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**Note 4: Fair Value Measurements**

FASB Accounting Standards Codification (“ASC”) Topic 820, *Fair Value Measurements and Disclosures*, formerly FASB 157, (“FASB ASC 820”) establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in an active market for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

*Level 1*

Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities.

*Level 2*

Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

*Level 3*

Inputs to the valuation methodology are unobservable and significant to the fair value measurement. A financial instrument’s level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

Following is a description of the valuation methodologies used for investments measured at fair value. There have been no changes in the methodologies used at December 31, 2009 and 2008.

*Registered investment companies and short term investment funds:* Valued at the NAV of shares held by the Plan at year end.

*Common/Collective trusts:* Valued at the NAV of shares held by the Plan at year end, which is based on the fair value of the underlying investments using information reported by the investment manager at year end.

*Participant loans:* Valued at amortized cost, which approximates fair value.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Plan believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

**Savings Program for Employees of Certain Employers at the  
U.S. Department of Energy Facilities at Oak Ridge, Tennessee**

**Notes to Financial Statements**

**December 31, 2009 and 2008**

The following table sets forth by level, within the fair value hierarchy, the Plan's investments at fair value as of December 31, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
<b>Level 1:</b>		
Registered investment companies:		
Balanced funds	\$ 43,726	\$ 35,907
Growth funds	365,220	242,529
Fixed income funds	89,562	68,162
Large cap funds	132,566	120,752
Small cap funds	30,525	22,701
World stock funds	76,317	56,138
	<u>737,916</u>	<u>546,189</u>
<b>Level 2:</b>		
Common/collective trust fund		
Stable value fund	554,834	574,843
Collective fund	65,104	52,795
Short term investment fund	94,675	39,883
	<u>714,613</u>	<u>667,521</u>
<b>Level 3:</b>		
Participant loans	14,844	13,919
	<u>14,844</u>	<u>13,919</u>
<b>Total Investments, at Fair Value</b>	<u>\$ 1,467,373</u>	<u>\$ 1,227,629</u>

The following table sets forth a summary of changes in the fair value of the Plan's level 3 investments for the years ended December 31, 2009 and 2008.

	<u>2009</u>	<u>2008</u>
<b>Participant loans:</b>		
Balance, beginning of year	\$ 13,919	\$ 14,084
Issuances and settlements, net	925	(165)
	<u>14,844</u>	<u>13,919</u>
<b>Balance, End of Year</b>	<u>\$ 14,844</u>	<u>\$ 13,919</u>

**Note 6: Risks and Uncertainties**

The Plan invests in various investment securities that are exposed to various risks such as interest rates, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect participants' account balances and the amounts reported in the Statement of Net Assets Available for Benefits.

# Savings Program for Employees of Certain Employers at the U.S. Department of Energy Facilities at Oak Ridge, Tennessee

## Notes to Financial Statements

**December 31, 2009 and 2008**

### **Note 6: Plan Tax Status**

The Plan obtained its latest determination letter on October 29, 2009, in which the Internal Revenue Service ("IRS") stated that the Plan, as then designed, was in compliance with the applicable requirements of the Internal Revenue Code (the "IRC"). The Plan has been amended since receiving the determination letter. The Plan Administrator and the Plan's tax counsel believe the Plan is being operated in compliance with the applicable provisions of the IRC.

### **Note 7: Reconciliation of Financial Statements to Form 5500**

The following is a reconciliation of net assets available for benefits per the financial statements at December 31, 2009 and 2008, to Form 5500 (in thousands of dollars):

	<u>2009</u>	<u>2008</u>
Net assets available for benefits per the financial statements	\$ 1,458,145	\$ 1,228,131
Adjustment from contract value to fair value for fully benefit-responsive contracts	<u>9,326</u>	<u>(28)</u>
<b>Net Assets Available for Benefits per Form 5500</b>	<b><u>\$ 1,467,471</u></b>	<b><u>\$ 1,228,103</u></b>

The following is a reconciliation of the changes in net assets available for benefits per the financial statements for the years ended December 31, 2009 and 2008, to Form 5500 (in thousands of dollars):

	<u>2009</u>	<u>2008</u>
Increase (decrease) in net assets available for benefits per the financial statement	\$ 230,014	\$ (296,976)
Adjustment from contract value to fair value for fully benefit-responsive contracts in prior year	28	(1,472)
Adjustment from contract value to fair value for fully benefit-responsive contracts in current year	<u>9,326</u>	<u>(28)</u>
<b>Increase (Decrease) in Net Assets Available for Benefits per Form 5500</b>	<b><u>\$ 239,368</u></b>	<b><u>\$ (298,476)</u></b>

### **Note 8: Subsequent Events**

#### ***UTB Spin-off***

Effective September 2, 2010, UTB was no longer a participating employer of the Plan.

## **Supplemental Schedule**

**Savings Program for Employees of Certain Employers at the  
U.S. Department of Energy Facilities at Oak Ridge, Tennessee  
EIN – 54-1987297    PN – 009**

**Schedule H: Line 4i – Schedule of Assets (Held at End of Year)**

**December 31, 2009  
(in thousands of dollars)**

(a)	(b) Identity of issue, borrower, lessor or similar party)	(c) Description of investment including maturity date, rate of interest, collateral, par or maturity value	(d) Cost	(e) Current Value
	State Street Global Advisors Stable Fixed Income Fund (**)	Common/ collective trust fund	#	\$ 554,834
	State Street Global Advisors Yield Enhanced Short Term Investment Fund (**)	Short term investment fund	#	94,675
	State Street Global Advisors S&P 500 Indexed Equity Fund	Collective fund	#	65,104
	Allianz NFJ Dividend Value Fund	Mutual fund	#	132,566
	American Funds American Balanced Fund	Mutual fund	#	43,726
	American Funds Investment Company of America Fund	Mutual fund	#	65,967
	Wells Fargo Advantage Small Cap Growth Institutional Fund	Mutual fund	#	49,878
	American Funds Growth Fund of America Fund	Mutual fund	#	141,716
	American Funds New Perspectives Fund	Mutual fund	#	76,317
	Goldman Sachs Small Cap Value Institutional Fund	Mutual fund	#	30,525
	American Funds EuroPacific Growth Fund	Mutual fund	#	107,659
	Wells Fargo Advantage Total Return Bond Fund	Mutual fund	#	89,562
*	Participant Loans	Interest at 4.29% to 10.50%, maturing 1-15 years	-0-	14,844
				<u>\$ 1,467,373</u>

**Column (a)** - An asterisk (“\*\*”) indicates the issuer on the line is identified as a person known to be a party-in-interest to the Plan.

**Column (b)** - A double asterisk (“\*\*”) indicates these funds are included in the State Street Global Advisors Stable Value Fund investment option.

**Column (d)** - Cost information may be omitted for participant or beneficiary-directed transactions under an individual account plan. A hash symbol (“#”) indicates that historical cost information in column (d) is not presented since the investments displayed are participant directed.